

EXCEPTION



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BEFORE THE ARIZONA CORPORATION COMMISSION

JIM IRVIN

Arizona Corporation Commission

Dec 9 1 09 PM '98

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RENZ D. JENNINGS

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IN THE MATTER OF COMPETITION IN
THE PROVISION OF ELECTRIC
SERVICES THROUGHOUT THE STATE
OF ARIZONA.

Docket No. RE-00000C-94-0165

EXCEPTIONS OF THE RESIDENTIAL UTILITY CONSUMER OFFICE

The Residential Utility Consumer Office ("RUCO") has the following exceptions on the proposed permanent amendments to the Retail Electric Competition Rules and related rules (the "Rules"). Attached as Exhibit A are the actual textual modifications which RUCO proposes.

R14-2-210 Billing and Collection

Staff proposed to conform the language of paragraph E.1. to that of R14-2-209.F. However, the language proposed in this section still contradicts R14-2-209.F slightly. R14-2-209.F. authorizes the utility or billing entity to charge the customer for meter testing. But the language in R14-210.E.1. is much more restrictive and permits the utility or billing entity to charge only the customer for meter testing. RUCO proposes to add the phrase "or the customer's Electric Service Provider, Utility Distribution Company, or billing entity" to R14-210.E.1. after the phrase "charge the customer", so that any entity requesting a meter test could be charged for the test.

1 **R14-2-1601 Definitions**

2 The definition of "consumer information" used in this section is inconsistent with
3 the use of the term "consumer information" in R14-2-1618. Here, consumer information
4 is defined as being "impartial information...about competition and competitive and
5 noncompetitive services and is distinct from advertising and marketing." The definition
6 suggests that "consumer information" is general information about which services are
7 competitive and which will remain noncompetitive, and information about the transition
8 to competition. However, the term is used in R14-2-1618.B to describe information
9 about the specific offering being made to a consumer. The term originally proposed for
10 this definition was "consumer education", which is more descriptive of what the
11 definition actually includes. The required disclosures of R14-2-1618.B are no
12 replacement for educating the public about the nature of the changes in the electric
13 industry. The Commission should change the term "consumer information" in this
14 definition to "consumer education." In addition, the Commission should add a provision
15 to R14-2-1615 requiring the Director of the Utilities Division to implement a consumer
16 education program prior to January 1, 1999. The Customer Education Working Group,
17 established by the Utilities Division, has already recommended a framework for a
18 consumer education program. The Director should continue to work with the Customer
19 Education Working Group in developing the program.

20 The definition of "System Benefits" in R14-2-1601.40 should not include nuclear
21 power plant decommissioning programs. These costs relate to generation and should
22 be included in generation costs. See Section R14-2-1608 below.

1 **R14-2-1604 Competitive Phases**

2 Currently, the Rules provide that only ½ of 1 percent of residential customers will
3 be allowed access to competitive electric services each quarter during the two-year
4 phase-in period. RUCO proposes that ten percent of residential customers have access
5 to competitive service on January 1, 1999. The Rules do not provide any definite
6 benefits for those residential customers who are denied access to competitive services
7 during the phase-in period. Therefore, RUCO proposes that the residential phase-in
8 program currently provided for be significantly expanded in size. RUCO proposes that
9 the number of customers eligible for the residential phase-in program increase by five
10 percent every six months until January 1, 2001.

11 The Rules should read the same in section B.3. and in R14-2-1613.K.7. to avoid
12 any confusion about whether a customer's right to use load profiling is different after the
13 residential phase-in period than during the phase-in period. See R14-2-1613
14 exceptions.

15 In section C, RUCO proposes that the language require Affected Utilities to
16 request a rate decrease for standard offer customers, rather than merely allow Affected
17 Utilities to suggest mechanisms providing benefits to standard offer customers.

18 **R14-2-1608 System Benefits Charges**

19 System Benefits Charges should not include nuclear fuel disposal and nuclear
20 plant decommissioning programs. Those programs relate to generation, and therefore
21 should be included in generation costs, and, if necessary, stranded costs.

22 In addition, the terms "market transformation" and "long-term public benefit
23 research and development" programs are vague. Neither term is defined in the Rules.

1 RUCO objects to the inclusion of programs in the Stranded Benefits Charge that are not
2 identifiable.

3 **R14-2-1613 Service Quality, Consumer Protections, Safety and Billing**
4 **Requirements**

5 The Rules should read the same in section B.3. and in R14-2-1613.K.7. to avoid
6 any confusion about whether a customer's right to use load profiling is different after the
7 residential phase-in period than during the phase-in period. It is unclear at whose
8 option load profiling "will be permitted", as indicated in section K.7. RUCO believes that
9 the option should be the customers. RUCO proposes consistent language in both
10 sections, which incorporates provisions from both sections.

11 In paragraphs K.13 through K.15, the Rules provide that certain metering
12 standards approved by the Director of the Utilities Division will apply. Those standards
13 should be set forth in the Rules if they are currently available. If they are not currently
14 available, the Director may be required to comply with the Administrative Procedure
15 Act's rulemaking requirements in adopting such standards.


16 **R14-2-1617 Affiliate Transactions**

17 Paragraph A.7 requires that transfers of non-tariffed goods from an Affected
18 Utility to an affiliate be at the higher of fully-allocated cost or market price. RUCO
19 proposes that language be added which explicitly states that this provision applies to an
20 Affected Utility's divestiture of its generation assets to an affiliate. Contrary to Staff's
21 assertion, R14-2-1616.A. does not sufficiently address the matter. That section requires
22 that a transfer be "at a value determined by the Commission to be fair and reasonable,"
23 but it does not require the use of a market-based price.

1 **R14-2-1618 Disclosure of Information**

2 RUCO urges caution in establishing mandatory disclosure requirements. If
3 consumers are overwhelmed with information about their generation choices, they may
4 be deterred from entering the competitive market. Of course, essential pricing data
5 should be provided to customers. Data such as fuel mix and emission characteristics,
6 which may be important to pockets of consumers, could be made available upon
7 request, but should not be required for disclosure to all consumers. RUCO therefore
8 proposes striking sections B.5 through B.7 from the proposed rules.

9 RESPECTFULLY SUBMITTED this 9th day of December, 1998.

10
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13 Staff Attorney

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**RUCO's Proposed Modifications to Emergency
Amendments to Retail Electric Competition Rules**

R-14-2-210 Billing and Collection

A.5.d. ~~Use customer supplied meter readings, whenever possible, to determine usage.~~ The utility can obtain a customer-supplied meter reading.

E.1. The utility or Meter Reading Service Provider shall test a meter upon customer or the customer's Electric Service Provider, Utility Distribution Company (as defined in A.A.C. R14-2-1601) or billing entity request and each utility or billing entity shall be authorized to charge the customer, or the customer's Electric Service Provider, Utility Distribution Company or billing entity for such meter test according to the tariff on file approved by the Commission. However, if the meter is found to be in error by more than 3%, no meter testing fee may be charged to the customer. If the a tested meter is found to be more than 3% in error, either fast or slow, the correction of previous bills ~~will~~ shall be made under the following terms allowing the utility to recover or refund the difference:

- a. If the date of the meter error can be definitely fixed, the utility or billing entity shall adjust the customer's billings back to that date. If the customer has been underbilled, the utility or billing entity will allow the customer to repay this difference over an equal length of time that the underbillings occurred. The customer ~~may~~ shall be allowed to pay the backbill without late payment penalties, unless there is evidence of meter tampering or energy diversion.
- b. If it is determined that the customer has been overbilled and there is no evidence of meter tampering or energy diversion, the utility or billing entity will make prompt refunds ~~in~~ of the difference between the original billing and the corrected billing within the next billing cycle.

R14-2-1601 Definitions

8. ~~"Consumer Information"~~ "Consumer Education" is impartial information provided to consumers about competition or competitive and noncompetitive services and is distinct from advertising and marketing.
40. "System Benefits" means Commission-approved utility low-income, demand side management, market transformation, environmental, renewables, long term public benefit research and development, ~~and nuclear power plant decommissioning programs.~~

R14-2-1604 Competitive Phases

- B. ~~As part of the minimum 20% of 1995 system peak demand set forth in R14-2-1604(A), each~~ Each Affected Utility shall reserve a residential phase-in program with the following components:
- B.1. A minimum of $\frac{1}{2}$ ~~of 1%~~ ten percent of residential customers as of January 1, 1999 ~~will~~ shall have access to competitive electric services on January 1, 1999. The number of customers eligible for the residential phase-in program shall increase by an additional $\frac{1}{2}$ ~~of 1%~~ five percent every ~~quarter~~ six months until January 1, 2001.
- C. Each Affected Utility shall file ~~a report~~ an application by September 15, 1998, ~~detailing possible mechanisms to provide benefits, such as rate reductions of 3% — 5%, to all Standard Offer customers. to decrease~~ standard offer rates by at least three to five percent.

R14-2-1608 System Benefits Charges

- A. By the date indicated in R14-2-1602, each Affected Utility or Utility Distribution Company shall file for Commission review non-bypassable rates or related mechanisms to recover the applicable pro-rata costs of

System Benefits from all consumers located in the Affected Utility's or Utility Distribution Companies' Company's service area who participate in the competitive market. Affected Utilities or Utility Distribution Companies shall file for review of the Systems Benefits Charge every 3 years. The amount collected annually through the System Benefits charge shall be sufficient to fund the Affected Utilities' or Utility Distribution Companies' Commission-approved low income, demand side management, market transformation, environmental, renewables, and long-term public benefit research and development ~~and nuclear fuel disposal and nuclear power plant decommissioning~~ programs in effect from time to time. Now, the Commission will approve a solar water heater rebate program: \$200,000 to be allocated proportionally among the state's Utility Distribution Companies in 1999, \$400,000 in 2000, \$600,000 in 2001, \$800,000 in 2002, and \$1 million in 2003; the rebate will not be more than \$500 per system for Commission staff-approved solar water heaters. After 2003, future Commissions may review this program for efficacy.

R14-2-1613 Service Quality, Consumer Protections, Safety and Billing Requirements

J.7. Competitive customers with hourly loads of 20kW (or 100,000 kWh annually) or less will be permitted to use Load Profiling to satisfy the requirements of hourly consumption data- however, they may choose other metering options offered by their Electric Service Provider consistent with the Commission's rules on metering.

J.13 through J.15 state specific standards

R14-2-1617 Electric Affiliate Transaction Rules

A. Separation

An Affected Utility or Utility Distribution Company and its affiliates shall

operate as separate corporate entities. Books and records shall be kept separate, in accordance with applicable Uniform System of Accounts (USOA) and Generally Accepted Accounting ~~Procedures~~ Principles (GAAP). The books and records of any Electric Service Provider that is an affiliate of an Affected Utility or Utility Distribution Company shall be open for examination by the Commission and its staff consistent with the provisions set forth in A.A.C. R14-2-1614. All proprietary information shall remain confidential.

- A.4. An Affected Utility or Utility Distribution Company shall not offer or provide to its affiliates advertising space in any ~~customer~~ written communication to customers unless it provides access to all other unaffiliated service providers on the same terms and conditions.
- A.7. Transfer of Goods and Services: To the extent that these rules do not prohibit transfer of goods and services between an Affected Utility or Utility Distribution Company and its affiliates, all such transfers, including transfers of generation assets, shall be subject to the following price provisions:

R14-2-1618 Disclosure of Information

- ~~B.4. Composition of resource portfolio,~~
- ~~B.5. Fuel mix characteristics of the resource portfolio,~~
- ~~B.6. Emissions characteristics of the resource portfolio,~~